

Message Text

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ACTION XMB-04

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 /052 W

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R 180527Z FEB 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 2759

INFO AMCONSUL MEDAN

AMCONSUL MURABAYA

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DEPT PLEASE ALSO PASS EXIMBANK

E.O. 11652: N/A

TAGS: BEXP, EFIN, OTRA, ID

SUBJECT: EXIMBANK VISIT TO INDONESIA

REFS: (A) JAKARTA 1783, (B) JAKARTA 1778, (C) STATE 005387

(D) STATE 001620, (E) 75 JAKARTA 15859

1. SUMMARY: FOLLOWING IS EMBASSY'S REPORT NOT RPT NOT
CLEARED BY EXIMBANK TEAM. THREE-MAN EXIMBANK TEAM LED BY
DEPUTY VICE-PRESIDENT CRAFTON VISITED INDONESIAN FEBRUARY 1-11.
DURING STAY THEY VISITED INCO PROJECT IN SULAWESI, MET WITH
GOI SENIOR FINANCIAL AND OPERATING AGENCY OFFICIALS, AND
OFFICIALS FROM U.S. BANKING AND TRADING COMMUNITY. MISSION
RECEIVED CLEAR EVIDENCE GOI'S POSITIVE ATTEMPTS COPE
RATIONALLY WITH IMPACT PERTAMINA FINANCIAL PROBLEMS BUT
FAILED TO GET FIGURES ON DEBT PAYMENT PROJECTIONS AND RECEIVED
ONLY BROADEST DESCRIPTION OF POSSIBLE GOI LISTING
"IMPORTANT" AREAS FOR WHICH EXIM FINANCING MAY BE SOUGHT
IN CURRENT CALENDAR YEAR. NEW PROCEDURE WAS AGREED TO
AD REFERENDUM BY WHICH U.S. SUPPLIERS MIGHT RECEIVE PC
ON BASIS GOI REQUEST FOR TENDER BID SUPPORTED BY APPROVAL
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OF GOI FINANCIAL AGENCIES. EMBASSY CONSIDERS VISIT ENTIRELY
SUCCESSFUL, AND HOPES EXIM WILL CONTINUE EXPAND ITS COMMUNI-
CATIONS WITH EMBASSY AND MAINTAIN PATTERN OF PERSONAL
VISITS. END SUMMARY.

2. EXIM TEAM COMPOSED OF DEPUTY VICE-PRESIDENT RICHARD C. CRAFTON AND LOAN OFFICER KENNETH WICKETT VISITED INDONESIA FEBRUARY 1-11 AND WERE JOINED BY LOAN OFFICER GEORGE B. MILLER FOR PERIOD FEBRUARY 9-11. FOLLOWING CALL ON AMBASSADOR NEWSOM FEBRUARY 2 TEAM DEVOTED ITS EFFORTS TO INTERNATIONAL NICKEL PROJECT (INCO) WITH BRIEFING AND LUNCHEON ON THAT DATE BY JAKARTA HEADQUARTERS PERSONNEL LED BY MANAGING DIRECTOR PHILIP C. JESSUP, JR. DISCUSSIONS CENTERED ON CURRENT STATUS INCO CAPITAL PLAN FOR PHASES I AND II TOTALING US \$820 MILLION. TEAM CARRIED BACK TO WASHINGTON ALL DOCUMENTS PROVIDED BY INCO. EMBASSY POUCHING DUPLICATES TO EA/IMS.

3. EXIM TEAM ACCOMPANIED BY ROGER PERRIN (JAKARTA REP FOR BANK OF MONTREAL) AND E/CM COUNSELOR COHN ARRIVED SULAWESI MORNING TUESDAY, FEBRUARY 3, FOR DAY AND HALF ON-SITE VISIT. INCO TEAM LED BY PROJECT MANAGER PAUL SAVOY PROVIDED INTENSE EXPOSURE TO ALL ASPECTS OF PROJECT INCLUDING SPECIAL AIR RECONNAISSANCE TOUR AND ON-GROUND DETAILED INVESTIGATION ALL FACILITIES. PHASE I OF PROJECT IS WELL ALONG, AND DESPITE SLIPPAGE, TRIAL PRODUCTION ANTICIPATED LATE AUGUST OR SEPTEMBER THIS YEAR. DESPITE LACK OF FINALIZATION FINANCING FOR PHASE II, CONSTRUCTION WORK AT MILL SITE AND HYDRO PLANT UNDER WAY. WORKING RELATIONSHIP WITH BECHTEL AS OVERALL CONSTRUCTION DESIGN MANAGER VERY POSITIVE, BUT OBVIOUS THAT RELATIONSHIP WITH DRAVO CONTINUES TO BE LESS THAN POSITIVE. TOURS INCLUDED OPPORTUNITY VIEW ABOVE-NOTED FACETS, TOWN SITES, INDO-NESEAN COMMUNITY PROJECTS, SEWAGE DISPOSAL FACILITIES, IN-DEPTH EXAMINATION OF MINING ACTIVITIES, AND PORT AND CARGO HANDLING OPERATIONS.

4. KEY MEETING WITH GOI FINANCIAL OFFICIALS TOOK PLACE AT FINANCE DEPARTMENT FRIDAY, FEBRUARY 6, WITH JULIANTO, DIRECTOR GENERAL OF MONETARY AFFAIRS; J. B. ISMAEL, MANAGING DIRECTOR AND DEPUTY GOVERNOR, BANK INDONESIA; AND SALEH LIMITED OFFICIAL USE
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AFFIF, DEPUTY CHAIRMAN OF BAPPENAS FOR MATERIAL DEVELOPMENT AND INFRASTRUCTURE, AND THEIR STAFFS. PORTIONS OF THIS MEETING REPORTED AND COMMENTED ON IN REFS B AND C. THIS WAS "HEAVY SESSION" LASTING SOME FOUR HOURS DURING WHICH LUNCHEON WAS SERVED WITH JULIANTO AS HOST. NUMBER OF KEY POINTS REVIEWED.

5. GOI WILL "TENDER" ALL PROJECTS FOR WHICH EXPORT CREDIT FINANCING TO BE SOUGHT. IN MOST CASES TENDER SUBMISSION WILL BE REQUESTED OF FOREIGN SUPPLIERS WHO WILL BE REQUIRED TO PROVIDE GOI WITH FINANCIAL SUPPORT FROM THEIR GOVERNMENT EXPORT CREDIT AGENCY. (TIT WAS EXPLAINED THAT THIS WAS

PROCEDURE BEING PURSUED IN CURRENT TENDER REQUEST TO GE
FOR FOLLOW-ON SUPPLY LOCOMOTIVES IN LIGHT OF GE HAVING
WON IBRD-FINANCED TENDER.) SINCE THI \$30-45743 *49.
PREVIOUSLY AGREED GOI/EXIM UNDERSTANDING, THERE WAS
AD REFERENDUM AGREEMENT THAT US SUPPLIER WOULD SEEK PC
AND EXIM WOULD TELEX FOR CONFIRMATION FROM GOI FINANCE
AGENCY PRIOR TO ISSUEANCE PC (COPYING EMBASSY JAKARTA ON
ALL COMMUNICATIONS). (REF B)

6. ON SUGAR MILLS SALAH AFFIF SAID TECHNICAL DISCUSSIONS
WERE STILL UNDERWAY WITHIN GOI BUT THAT FINAL DECISION WOULD
BE MADE BEFORE END OF FEBRUARY.

7. PERTAMINA PROJECTS ON WHICH DISCUSSION HAD PREVIOUSLY
BEEN HELD WITH EXIM REGARDING POSSIBLE PARTICIPATION:
FOLLOWING SOME HESITATION ON GOI REPS' PART IT WAS REVEALED
THAT CILACAP REFINERY COST OVERRUNS MAY BE PRESENTED TO
EXIM, BUT "NOT YET." REGARDING AROMATICS PROJECT, ISMAEL
SAID THERE WOULD BE NO CONSIDERATION AT THIS TIME FOR EXIM
FINANCING. IT WAS CLEAR THAT THIS PROJECT HAD NO POTENTIAL
FOR FINANCING APPLICATION IN FORESEEABLE FUTURE.

8. EXIM TEAM HAD BEEN PRESENTED WITH BRIEF REPORT THAT
FIRST NATIONAL BANK OF CHICAGO RECIVED INDICATION THAT US
FIRM BY NAME OF "INTERNATIONAL TECHNICAL PRODUCTS" IS IN
"FAVORABLE POSITION" TO OBTAIN GOI CONTRACTS FOR SOME
\$67 MILLION WORTH OF AIRPORT EQUIPMENT FOR UPGRADING
PROJECTS. GOI FINANCE REPS SAID THAT THERE WOULD BE SOME
TENDERING IN THIS REGARD BUT WOULD BE VERY LIMITED CENTERING
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ON SAFETY, NAVIGATION, AND TRAFFIC CONTROL EQUIPMENT.
(AT SUBSEQUENT MEETING WITH COMMUNICATIONS DEPARTMENT
OFFICIALS, THIS PROJECT WAS BRIEFLY REVIEWED.)

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INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-07

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CIEP-01 LAB-04 SIL-01 OMB-01 /052 W

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R 180527Z FEB 76

FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 2760
INFO AMCONSUL MEDAN
AMCONSUL SURABAYA

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9. IN RESPONSE TO EXIM REQUEST FOR CURRENT THINKING ON PACIFIC NICKEL PROJECT ON GAG ISLAND INVOLVING U.S. STEEL, IT WAS INDICATED THAT GOI WAS WAITING FOR BECHTEL'S FEASIBILITY STUDY COST UPDATE, NOW DUE BEFORE END OF APRIL WHICH WOULD BE ANALYZED BY WORLD BANK. SOME DELAYS WERE ANTICIPATED IN THIS ANALYSIS SINCE IBRD HAD PERSONNEL LIMITATIONS AND GOI WAS SEEKING THEIR HELP ON THIS ANALYSIS AS WELL AS ONE COAL MINING PROJECT. IF GOI PREPARED GO AHEAD WITH GAG ISLAND INVOLVING IBRD FUNDING FOR PART OF INFRASTRUCTURE, GOI 20 PERCENT PARTICIPATION AS JOINT VENTURE PARTNER WOULD OBLVIATE NEED FOR PC PROCEDURE OUTLINED ABOVE SINCE GOI PN COMPANY AS JOINT VENTURE PARTNER WOULD BE APPLICANT FOR EXIM FUNDING. EXIM ASKED IF GOI WOULD CONSIDER GUARANTEE, AT LEAST UP TO PERCENTAGE OF ITS CAPITAL PARTICIPATION IN PROJECT. ANSWER TO QUESTION WAS UNCLEAR AND WILL HAVE TO BE REVIEWED IF GOI DOES GO AHEAD ON THIS PROJECT. IT WAS REITERATED BY GOI THAT THIS IS "IMPORTANT" PROJECT.

10. ON TWO CANCELLED EXIM CREDITS, GOI SAID THERE IS NO LIKELIHOOD THAT GRESIK POWER WILL BE REVIVED, BUT THAT
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TRANSMISSION LINE CREDIT MAY BE REINSTITUTED SINCE IT IS FOR EQUIPMENT WHICH IS TO BE PART OF WEST JAVA TRANSMISSION PROJECT.

11. ON EXIM QUESTION CONCERNING PENDING SEMEN CIBINONG CREDIT FINALIZATION, GOI OFFICIALS HAD NO VIEWS CONCERNING EXIM REQUEST FOR "NO ADVERSE ACTION" PHRASE REQUESTED BY EXIM IN CREDIT AGREEMENT. GOI POINTED OUT THIS WOULD BE QUESTION FOR ITS INVESTMENT BOARD (BKPM) SINCE PROJECT WAS UNDER FOREIGN INVESTMENT LAW.

12. GOI OFFICIALS COULD NOT GIVE DETAILED LISTING OF PRIORITY PROJECTS FOR WHICH EXIM FINANCING MAY BE REQUESTED IN CURRENT YEAR. HOWEVER, FOLLOWING US SIDE URGING THEY PROVIDE LIST OF "WHAT IS IMPORTANT," SALEH AFFIF ENUNCIATED FOLLOWING PROJECTS WITHOUT INDICATING ANY ORDER OF PRIORITY: SUGAR MILLS; IRRIGATION SUPPORT EQUIPMENT FOR TIDAL PROJECTS; CEMENT PLANTS; GAS PIPELINE; AIRPORT EQUIPMENT; SEA COMMUNICATIONS EQUIPMENT; URGAN WATER SUPPLY; UNIVERSITY

LABORATORY EQUIPMENT; AND LOCOMOTIVES. SOME OF THESE AREAS WERE REVIEWED IN GREATER DETAIL IN SUBSEQUENT MEETINGS WITH OPERATING AGENCIES RESPONSIBLE FOR THEM.

13. IN RESPONSE TO CRAFTON QUESTION CONCERNING FORMER BOURAQ APPLICATION FOR 707 FINANCING, GOI OFFICIALS SAID THAT THIS WAS NOT A VIABLE PROJECT SINCE ONLY GARUDA MIGHT OPERATE JET AIRCRAFT. IT WAS INDICATED THAT DC 10S FOR GARUDA WERE TO BE DELIVERED IN MARCH.

14. CRAFTON ASKED ABOUT POSSIBLE FIGURES ON BALANCE OF PAYMENTS AND DEBT SERVICE PROJECTS FOR NEXT FIVE YEARS. THIS QUESTION WENT AROUND ROOM LIKE A BILLIARD BALL. ISMAEL THEN UNDERTOOK TO RESPOND ASKING "WHICH SET OF FIGURES DO YOU WANT." IN ESSENCE CONSENSUS BY GOI WAS THAT ANSWER TO QUESTION LAY IN COMBINATION OF IBRD DOCUMENT FOR MAY 1975, IGGI MEETING, FIRST AND SECOND MORGAN GUARANTY B/P OUTLINES, AND IGGI DOCUMENT PREPARED BY IBRD FOR NOVEMBER 1975 IGGI MEETING. ISMAEL ADDED THAT COMPLETE FIGURES WOULD BE AVAILABLE FOR FORTHCOMING IGGI MEETING IN MAY 1976. (EMBASSY BELIEVES FORMAL REQUEST BY LETTER FROM EXIMBANK PRESIDENT THROUGH EMBASSY TO MINISTER WIDJOJO OR LIMITED OFFICIAL USE
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RACHMAT SALEH, GOVERNOR, BANK INDONESIA, WOULD PRODUCE CONSOLIDATED GOI FIGURES ON DEBT PROJECTIONS. SUCH LETTER SHOULD BE PRECISE AS TO DATA REQUESTED.) WICKETT REQUESTED SPECIFIC DATA BEING SOUGHT BY EXIM ECONOMIST TURK. GOI COULD PERHAPS PROVIDE SOME OF THIS INFORMATION IF IT TOO WERE REQUESTED IN A LETTER WITH PRECISE OUTLINE OF DATA SOUGHT.

15. IN RESPONSE TO QUESTION CONCERNING PRIVATE FOREIGN INVESTMENT CLIMATE, JULIANTO SAID GOI'S ATTITUDE HAD NOT CHANGED IN THAT IT STILL WANTED PRIVATE FOREIGN INVESTMENT. HE ADDED, HOWEVER, THAT SOME "PROBLEMS" HAD DEVELOPED AS RESULT OF GOI POLICY REQUIRING INDIGENOUS INDONESIAN PARTICIPATION IN SUCH INVESTMENTS. THIS POLICY WAS "STILL BEING WORKED ON." HE REITERATED GOI WANTED PRIVATE FOREIGN INVESTMENT.

16. SALEH AFFIF SAID THERE WOULD NOT BE SECOND-STAGE ROAD EQUIPMENT LOAN APPLICATION THIS YEAR.

17. IN RESPONSE TO GOI QUESTION, FULL DISCUSSION ON EXIM INTEREST RATE CHANGES ENSUED INCLUDING ESPECIALLY DIFFERENCE BETWEEN USG BORROWING AND US PRIME RATE. THERE WAS REVIEW OF EXIM LOAN COVERAGE OF 40 PERCENT AS IT RELATES TO EXIM WORLDWIDE POLICY RANGING FROM 30 TO 55 PERCENT. IN RESPONSE TO GOI QUESTION CONCERNING HOW EXIM IMPLEMENTS ITS WILLINGNESS TO "MEET THE COMPETITION," EXIM TEAM

SAID THAT THE TENDENCY WAS TO INCREASE AMOUNT OF CREDIT RATHER THAN LOAN RATE. GOI INDICATED THAT COMPETING FINANCIAL TERMS WERE REAL FACTOR IN CURRENT LOCOMOTIVE TENDER SINCE EUROPEANS WERE OFFERING AN 85 PERCENT COVERAGE AT 6 PERCENT INTEREST.

18. ISMAEL OBSERVED THAT EXIM'S ROLE IN PROVIDING /EXPORTERS' CREDITS" TO INDONESIA COULD ALSO BE ANALYZED IN TERMS OF PERCENTAGE OF TOTAL "EXPORTERS' CREDITS" PROVIDED FROM ALL SOURCES THUS FAR AND SAID THAT EXIM WAS ONLY 25 PERCENT. EXIM TEAM ACKNOWLEDGED THAT THIS WAS LOW RELATIVE TO TAL US INVOLVEMENT IN INDONESIAN ECONOMY AND ACTIVITIES EUROPEAN AND OTHER SUPPLIERS.

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19. THERE WERE FURTHER DISCUSSIONS REGARDING PAYMENT FOR SHIPPING AND INSURANCE SERVICES PICKING UP ON THIS SUBJECT FROM 1975 VISIT OF EXIM BOARD MEMBER CLARK AND LOAN OFFICER CLAPP. EXIM TEAM HAS FULL DETAILS THIS QUESTION AND IS COMMITTED TO PROVIDE GOI WITH RESPONSE TO POSSIBLE ALTERNATIVE WAYS OF FINANCING SHIPPING AND INSURANCE TO PROVIDE INDONESIAN FLAG CARRIERS AND INSURERS WITH OPPORTUNITY TO PARTICIPATE.

20. SOME EXIM CREDITS HAVE ENCOUNTERED DELAYS IN FINALIZATION OF COMMERCIAL PORTION FOR WHICH GOI HAS PROVIDED "BRIDGING FINANCE" INCLUDING HARBOR DREDGES, DOMESTIC SATELLITE, TRAINING AIRCRAFT, AND ROAD EQUIPMENT LOANS. GOI OFFICIALS REQUESTED THAT EXIM PROVIDE LATER "AVAILABILITY DATE" IN LIGHT OF TIME SLIPPAGE RESULTING FROM ACTIONS REQUIRED BY EXIM. THIS QUESTION IS TO BE REPLIED TO BY EXIM.

21. THERE WAS DISCUSSION OF HOW TO GET EARLIER DISBURSEMENT FROM EXIM PARI PASU WITH COMMERCIAL BANK DISBURSEMENT. CREDIT PROCEDURE INVOLVES PRESENTATION OF DOCUMENTS TO LEAD SYNDICATE BANK WHICH THEN TRANSMITS DOCUMENTS AFTER APPROVAL TO EXIM, BUT PAYMENT FROM BOTH INSTITUTIONS DELAYED UNTIL EXIM HAS CLEARED DOCUMENTS. GOI THOUGHT THAT EXIM COULD RELEASE FUNDS AGAINST APPROVAL BY LEAD BANK SUBJECT TO LATER REVISION IF NECESSARY. EXIM TEAM TOOK THE QUESTION UNDER ADVISEMENT AND WILL BE RESPONDING.

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R 180527Z FEB 76

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22. ISMAEL RAISED QUESTION CONCERNING PROPOSED EXIM REQUIREMENT FOR "ANNUAL STATEMENT" BY BORROWING INSTITUTION INCLUDING "NO DEFAULT CLAUSE." ISMAEL POINTED OUT THAT IN ALL EXIM CREDITS THUS FAR GOI WAS BORROWER AND THAT WHILE ANNUAL STATEMENT REQUIREMENT WAS APPLICABLE TO PRIVATE BORROWERS IT CERTAINLY COULD NOT BE CONSIDERED APPROPRIATE WHEN GOVERNMENT WAS BORROWER. CRAFTON SAID THIS WOULD BE LOOKED INTO, ADDING THAT HE AGREED WITH ISMAEL'S OBSERVATION. HE THOUGHT THAT REQUIREMENT COULD BE DROPPED FROM DRAFT AGREEMENT NOW UNDER REVISION FOR TIDAL SWAMP RECLAMATION CREDIT. MEETING ENDED WITH REVIEW OF ALTERNATIVE EXIM PROGRAMS INVOLVING BUYERS' CREDISS UNDER GUARANTEE AND INSURANCE SCHEMES.

23. SINCE E/CM COUNSELOR DID NOT PARTICIPATE IN MEETINGS WITH US PRIVATE FIRMS AND/OR SUPPLIERS, NO REPORT OF THOSE SESSIONS IS PROVIDED HERE. HOWEVER, TEAM MET WITH MORGAN GUARANTY, FNCB, ARKEL, UNITED CALIFORNIA BANK, CHEMICAL BANK, CHASE MANHATTAN, BANK OF AMERICA, CHRYSLER, MANUFACTURERS HANOVER TRUST, HUGHES AIRCRAFT, AND SOCIALLY WITH AMERICAN EXPRESS.

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24. TEAM HAD BRIEF MEETING WITH FINANCE MANAGER OF GARUDA AS WELL AS PRESIDENT-DIRECTOR WIWEKO. BOTH INDICATED THERE WERE NO PROBLEMS FACING GARUDA ON DELIVERY OF DC-10S AND DC-9S AND THAT CURRENT STALEMATE IN USG-GOI NEGOTIATIONS ON AIR AGREEMENT, REGARDLESS OF OUTCOME, WOULD NOT RPT NOT AFFECT GARUDA'S INTEREST IN ACQUISITION THESE PLANES. SUBSEQUENT QUESTION CONCERNING AIRLIFTING SPARES AND OTHER EQUIPMENT FOR DC-10S FROM US BY GARUDA AIRCRAFT STILL AWAITS WASHINGTON RESPONSE.

25. MEETING WITH AGUS SUYONO, DIRECTOR GENERAL CHEMICAL INDUSTRIES, HATARTO, DIRECTOR FOR SILICATE INDUSTRIES, AND SOTION ARDJANGGI OF SEMEN GRESIK INCLUDED DETAILED REVIEW DEPARTMENT INDUSTRIES PROPOSALS FOR EXPANSION CEMENT INDUSTRY, AND CRAFTON HAND CARRIED DETAILED MAP AND TONNAGES PREPARED BY EMBOFF CUNNINGHAM BASED ON THIS MEETING. SOTION SOUGHT URGENT COMPLETION EXIM ACTION ON GRESIK LOAN SINCE CURRENT BRIDGING FINANCES ABOUT TO RUN OUT. SUYONO IN SURPRISE QUESTION ASKED EXIM TEAM ABOUT STATUS OF AROMATICS PROJECT. EXIM INDICATED THEY HAD BEEN ADVISED BY GOI FINANCE AUTHORITIES THAT THIS PROJECT WAS NOT ON ACTIVE LIST AND THEREFORE WOULD NOT BE CONSIDERED FOR FINANCING BY EXIM. (COMMENT: EMBASSY CHECKED WITH SOURCES IN BAPPENAS CONCERNING THIS EXCHANGE AND RECEIVED INTERPRETATION THAT SUYONO KNEW ABOUT GOI DECISION, BUT HAD EXIM PROVIDED ANSWER OTHER THAN IT DID AND INDICATED POSSIBLE INTEREST IN FINANCING THIS PROJECT, SUYONO WOULD HAVE GONE BACK TO FINANCIAL AUTHORITIES STATING THAT EXIM WAS INTERESTED AND THEREFORE PROJECT SHOULD BE REVIVED.)

26. MEETING WITH GEN. SLAMET, SECRETARY GENERAL DEPARTMENT OF COMMUNICATIONS, AND ABDULRACHMAN, DIRECTOR OF PLANNING FOR DEPARTMENT OF COMMUNICATIONS, AND THEIR STAFFS RESULTED IN EXIM BEING HANDED PACKET OF PROJECTS FOR WHICH DEPARTMENT OF COMMUNICATIONS WOULD SEEK EXIM FINANCING THIS YEAR. SLIGHTLY EMBARRASSING EXCHANGE ENSUED WHEN IT WAS POINTED OUT THAT EXIM UNDERSTANDING WITH GOI REQUIRED APPLICATIONS FOR ITS FINANCING TO COME FROM FINANCE DEPARTMENT. COMMUNICATIONS PERSONNEL AGREED THAT THIS WAS PROCEDURE BUT WANTED TO PROVIDE MATERIAL AS BACKGROUND FOR FUTURE CONSIDERATION BY LIMITED OFFICIAL USE
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EXIM WHEN APPLICATIONS ACTUALLY SUBMITTED. LISTING OF MATERIAL HAND CARRIED BY CRAFTON AND COVERS FOLLOWING PROJECTS: AIRPORT FIRE-FIGHTING EQUIPMENT - \$10 MILLION; AIRPORT ELECTRICAL FACILITIES - \$8 MILLION; DATA PROCESSING EQUIPMENT FOR METEOROLOGICAL SERVICE - \$1.5 MILLION; WEATHER EQUIPMENT - \$6 MILLION; AND TENDERS NOW BEFORE EXIM FOR ADDITIONAL LOCOMOTIVES.

27. VISITORS MET FEBRUARY 9 WITH MINING DEPARTMENT'S SECRETARY GENERAL DRS. SOETARJO SIGIT, PLANNING DIRECTOR DRS. JOHANNES, AND HEAD OF INVESTMENT OFFICE IR. CHRIS SITUMARONG. RESPONDING TO VISITORS' INQUIRY RE STATUS US STEEL'S GAG ISLAND NICKEL MINE/REFINERY PROJECT, SIGIT SAID GOI CONSIDERS IT A SOUND PROJECT AND REMAINS DISPOSED TO TAKE 20 PERCENT OF THE EQUITY. HE ALLUDED TO CRUCIAL QUESTION OF IBRD SUPPORT. THOUGH ONLY A RELATIVELY SMALL SUM IS SOUGHT FROM IBRD, IT WILL BE IMPORTANT (AS GOI PARTICIPATION IS) IN OBTAINING SUPPORT OF FINANCIAL COMMUNITY TO GET PROJECT OFF THE GROUND. GOI IS CONCERNED

THAT IBRD MAY AGREE TO SUPPORT ONLY ONE INDONESIAN PROJECT IN MINING SECTOR IN WHICH CASE BUKIT ASAM COAL MINE EXPANSION OF STATE COAL ENTERPRISE PN BATUBARA WOULD HAVE TO GET THE NOD AS ABSOLUTE NATIONAL PRIORITY. HOPE RESIDES IN POSSIBILITY IBRD CAN SUPPORT BOTH PROJECTS ON GROUNDS ECONOMIC MERIT OF BOTH, OR THAT ONE OF PROJECTS CAN STAND POSTPONEMENT OF IBRD INPUT UNTIL 1977. IBRD EVALUATION TEAM TO BE HERE MARCH TO REVIEW BOTH PROJECTS (ALTHOUGH BECHTEL'S COST UPDATE OF GAG ISLAND PROJECT WILL NOT YET BE COMPLETE -- THESE DATA TO BE FORWARDED TO IBRD WHEN AVAILABLE). SIGIT NOTED INDICATIONS THAT U.S. EQUIPMENT COSTS ON THIS PROJECT WOULD INCREASE FROM \$250 TO \$350 MILLION IN REVISION.

28. FINAL GOI MEETING TOOK PLACE WITH BRIG. GEN. SUNGKONO, SECRETARY GENERAL, DEPARTMENT OF PUBLIC WORKS. THIS WAS FRIENDLY DETAILED RUNDOWN OF CURRENT STATUS HIGHWAY EQUIPMENT CREDIT DURING WHICH SECRETARY GENERAL CALLED IN BINA MARGA EQUIPMENT EXPERT, TENKEAN, WHO PROVIDED SUPERBLY DONE SPREAD-SHEET REVEALING THAT DEPARTMENT IS INDEED ON TOP OF THIS PROJECT, WITH ALL EQUIPMENT ORDERED AND SOME OF IT ENROUTE. THERE WAS INCONCLUSIVE EXCHANGE LIMITED OFFICIAL USE
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REGARDING URBAN WATER SUPPLY PROJECTS.

29. IN ADDITION TO FOREGOING MEETINGS, TEAM ATTENDED DINNER GIVEN BY AMBASSADOR FOR CONGRESSMAN DIGGS, DINNER WITH E/CM COUNSELOR WITH NUMBER OF US PRIVATE BANKERS/ ECONOMISTS AND GOI OFFICIALS, AND PARTICIPATED IN BREAKFAST MEETING OF AMERICAN CHAMBER OF COMMERCE AT WHICH CRAFTON SPOKE ABOUT EXIM PROGRAMS IN INDONESIA.

30. EMBASSY JUDGES THIS VISIT TO HAVE BEEN ONE OF MOST SUCCESSFUL OF SERIES UNDERTAKEN BY EXIM IN PAST TWO YEARS. IT REVEALED QUANTUM JUMP IN GOI FINANCIAL AUTHORITIES' UNDERSTANDING OF EXIM POLICIES AND PROCEDURES. IT IS OUR JUDGMENT THAT EXIM WAS PROVIDED WITH DETAILED INSIGHTS CONCERNING CURRENT OVERALL ECONOMIC SCENE IN INDONESIA WITH ITS PROBLEMS AND SUCCESSFUL GOI EFFORTS AT MEETING THEM IN MANAGING ITS FINANCIAL RESOURCES IN A PROFESSIONAL, RATIONAL FASHION INCLUDING EFFECTIVE CONTROLS OVER OPERATING AGENCIES SEEKING TO EXPAND THEIR PROGRAMS DESPITE NEED TO HUSBAND FINANCIAL RESOURCES. EMBASSY BELIEVES THERE IS STRONG LIKELIHOOD THAT NEXT REQUEST TO EXIM WILL BE FOR SUGAR MILLS. WE BELIEVE AT A MINIMUM ONE MILL WILL BE AWARDED TO AMERICAN BIDDERS, THOUGH IT IS LIKELY THAT THIS COULD BE TWO MILLS. THERE IS ONLY SLIGHT POSSIBILITY THAT THREE MILLS MIGHT BE OFFERED TO US SUPPLIERS. IT IS EMBASSY IMPRESSION THAT EXIM FINANCING WOULD BE LIKELY FOR ONE, POSSIBLE FOR TWO, IMPOSSIBLE FOR THREE. EMBASSY

SINCERELY HOPES THAT EXIM WILL CONTINUE CLOSE WORKING
RELATIONSHIP THAT HAS BEEN ESTABLISHED AND STANDS READY TO
WORK IN CONCERT TO ACHIEVE BOTH USG TRADE PROMOTION OBJECTIVES
AND US INTERESTS IN GOI DEVELOPMENTAL PROGRAMS.
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Message Attributes

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Copy: SINGLE
Draft Date: 18 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
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Executive Order: N/A
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Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t197602103/baaaesio.tel
Line Count: 494
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ACTION XMB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
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Margaret P. Grafeld
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Subject: EXIMBANK VISIT TO INDONESIA
TAGS: BEXP, EFIN, OTRA, ID, XMB, (CRAFTON, RICHARD C), (WICKETT, KENNETH), (MILLER, GEORGE B)
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